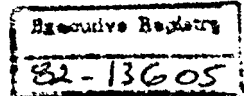




THE SECRETARY OF THE TREASURY  
WASHINGTON 20220



December 21, 1982

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(With Confidential Attachment)

MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF DEFENSE  
THE SECRETARY OF AGRICULTURE  
THE SECRETARY OF COMMERCE  
THE DIRECTOR, OFFICE OF MANAGEMENT  
AND BUDGET  
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS  
ASSISTANT TO THE PRESIDENT FOR  
NATIONAL SECURITY AFFAIRS  
ASSISTANT TO THE PRESIDENT FOR  
POLICY DEVELOPMENT  
UNITED STATES TRADE REPRESENTATIVE  
✓DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International  
Economic Policy (SIG-IEP)

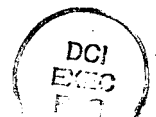
A meeting of the SIG-IEP is scheduled for Thursday, December 23, at 11:00 a.m., in the Roosevelt Room. The agenda includes a report by Secretary Shultz on U.S./E.C. economic relations based on his recent European trip. Treasury will report on current Yugoslavian financial developments.

Attached are the minutes of the SIG-IEP meeting held on December 15.

  
Donald T. Regan

Attachment

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SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

December 15, 1982  
2:30 pm  
Old Executive Office Building  
(Room 474)

Attendees:

Treasury  
Secretary Regan  
Under Secretary Sprinkel  
Marc Leland

Office of the Vice President  
Philip Hughes

State  
Acting Secretary Dam  
Richard McCormack  
Thomas Niles

Defense  
Under Secretary Ikle

Agriculture  
Secretary Block  
Seeley Lodwick

Commerce  
Secretary Baldrige  
Lionel Olmer

CIA  
Henry Rowen  
Maurice Ernst

USTR  
Ambassador Brock  
Dennis Whitfield

Export-Import Bank  
William Draper  
Ray Albright

OMB  
Joseph Wright  
Alton Kiel

CEA  
Martin Feldstein

OPD  
Ed Harper  
Roger Porter

AID  
Peter McPherson

NSC  
Norman Bailey, Executive Secretary  
Roger Robinson

G-5 Meeting

Secretary Regan reported on the G-5 (UK, France, Japan, FRG and U.S. Finance Ministers) meeting on IMF funding. No agreement was reached, but it appears that an accord is possible on the basis of a 40-60 percent quota increase and an expansion of the general arrangements to borrow to \$15-\$20 billion. Talks will take place with the G-10 Ministers the third week of January and, if agreement is reached, the Interim Committee will take it up the second week of February.

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Brazil

Brazil continues to make every effort to keep current on all external debt payments and avoid a financial crisis while it negotiates a standby arrangement with the IMF. While lending to Brazil continues to be well below its needs, the GOB managed to line up \$600 million in short-term credit from major U.S. banks in October. Brazil is seeking an additional \$1.8 billion in short-term commercial bank loans for December, mainly from non-U.S. banks and has thus far raised about \$500 million. Brazil also hopes to negotiate a "jumbo" club loan for \$2.5 billion for early 1983.

The United States Government will be paid back the \$1.23 billion it has advanced Brazil by the end of January. In addition, there will be a BIS package of \$1.2 billion for Brazil for which the BIS countries will put up \$700 million and the United States will put up \$500 million. The Saudis are also being asked to make a contribution of \$200-\$250 million. Private banks are meeting with Brazil on December 20 to negotiate a jumbo loan.

Mexico

IMF Managing Director de Larosiére has stated that Mexico needs a \$10 billion package involving \$3 billion from the IMF, World Bank and past credits, \$5 billion from the commercial banks, and \$2 billion of new government guarantees for calendar year 1983. De Larosiére will only put the program to the board on December 23 if the \$2 billion has been pledged. There was discussion on how the United States will provide its \$1 billion which would be divided between CCC and Eximbank. It was determined that \$400 million will be provided by Eximbank and \$600-\$800 million by CCC. OMB was to report to Treasury, after discussions with Agriculture, giving final approval of this commitment.

Yugoslavia

Yugoslavia faces a very tight financial situation in 1983, particularly in the first half of 1983 where its financing gap could be as large as \$1.3 - \$1.5 billion. George Shultz discussed the situation with Foreign Ministers last week. They agreed on the political argument for helping Yugoslavia with a financial package but questioned whether an adequate one could be put together. Some of the G-5 Finance Ministers prefer to reschedule, but the Yugoslavs do not want to reschedule. Rescheduling could also adversely affect other countries.

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There will be a meeting on December 17 in Paris to discuss possible credits for Yugoslavia to determine if the United States could provide up to \$200 million in credits (\$175 million from CCC and \$25 million from Eximbank) as part of a package of at least \$1 billion. It was determined that the United States should not take the lead in putting this package together nor should there be any approval until the IMF is satisfied that the Yugoslavs will comply with its program and the donors are satisfied that the numbers they are receiving from the Yugoslavs are accurate and that a \$1 billion amount to be provided by the governments will be enough to allow the Yugoslavs to avoid rescheduling.

EC Meetings on Agriculture

Secretary Block and Ambassador Brock reported on their discussions with the European Community on agricultural trade. It was a constructive and forthcoming meeting. The EC is planning only a small increase in price supports and cuts in sugar production. New discussions are scheduled for January 10.

Poland

Deputy Secretary Dam reported on the recent Polish measures loosening martial law. He stated that we are following events closely but, as of now, they look somewhat meager. There are going to be pressures for a rescheduling of Poland's 1982 debt and the SIG-IEP will have to be kept fully informed of the continuing political developments in order to make a decision on what to do on the rescheduling issue.

East-West Follow-up

Secretary Regan made a request to State that Under Secretary Wallis convene a meeting of his IG to prepare a progress report on consultations with the allies on East-West issues and to make recommendations to the SIG-IEP on the next steps.

Ethiopia

There was a discussion of Eximbank funding of Boeing 737 sales to Ethiopia. It would appear that the matter is almost resolved pending a last meeting between the Defense Department and the company. Secretary Baldrige asked that a final resolution be reached by Friday noon (December 17) and the Defense Department said it would get together with State and Commerce to work out a satisfactory resolution of the problem.

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**EXECUTIVE SECRETARIAT****Routing Slip**

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8	DDS&T				
9	Chm/NIC				
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11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA		✓		
18	AO/DCI				
19	C/IPD/OIS				
20	NIC/LECON	✓			
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SUSPENSE		Date _____			

Remarks:

*RA File S16-IEP  
23 Dec 82*

Executive Secretary

12/21/82

Date

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